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BEFORE THE ARIZONA CORPORATION COMMISSION

JIM IRVIN
Commissioner-Chairman
TONY WEST
Commissioner
CARL J. KUNASEK
Commissioner

Arizona Corporation Commission

DOCKETED

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In the matter of)
PROPOSED RULEMAKING)
AMENDING A.A.C. R14-4-101, R14-4-102,)
R14-4-127, R14-4-133, R14-4-134,)
R14-4-141, and R14-4-144.)

DOCKET NO. RS-00000A-98-0625

DECISION NO. 61574ORDER

Open Meeting
March 9 and 10, 1999
Phoenix, AZ

BY THE COMMISSION:

INTRODUCTION

The Securities Division (the "Division") of the Arizona Corporation Commission (the "Commission") has forwarded to the Commission a proposal recommending that the Commission amend A.A.C. R14-4-101, R14-4-102, R14-4-127, R14-4-133, R14-4-134, R14-4-141, and R14-4-144 (collectively the "Rules").

FINDINGS

1. The Division has proposed amendments to the Rules that are primarily technical. The changes include changes in format and text to comply with requirements of the office of the secretary of state, the addition of cross references to statutory fee requirements, the addition of text to clarify the intent of the Rules, and the deletion of superfluous text.

2. A.A.C. R14-4-101 provides an exemption from registration of securities offered and sold exclusively to existing stockholders and employees. In addition to grammatical and format changes, three revisions are proposed: (i) in subsection (A)(1), text added to clarify that the \$500,000 maximum applies to an aggregate of all offerings made by an issuer under this exemption; (ii) in subsection (D)(4), the addition of a cross reference to R14-4-123, under which

1 financial statements filed in connection with applications for this exemption must be prepared; and
2 (iii) in subsection (E)(3), the addition of a cross reference to the statutory fee requirement.

3 3. A.A.C. R14-4-102 provides an exemption from registration of securities offered and
4 sold within or from this state to 10 or fewer persons. In addition to grammatical and format
5 changes, three revisions are proposed: (i) in subsection (A)(1), text added to clarify that the
6 \$100,000 maximum applies to an aggregate of all offerings made in or from this state by an issuer
7 under this exemption; (ii) in subsection (D)(4), the addition of a cross reference to R14-4-123,
8 under which financial statements filed in connection with applications for this exemption must be
9 prepared; and (iii) in subsection (E)(3), the addition of a cross reference to the statutory fee
10 requirement.

11 4. A.A.C. R14-4-127 provides guidelines for a petition requesting an exemption from
12 registration of securities filed under A.R.S. § 44-1846. In addition to grammatical and format
13 changes, four revisions are proposed: (i) in subsection (D), the deletion of the exception to R14-4-
14 123 requirements imposed on offerings made under this exemption; (ii) in subsection (H), a
15 revision of legend requirements so that the requirements do not conflict with plain English rules
16 mandated by the United States Securities and Exchange Commission; (iii) in subsection (K), the
17 deletion of exceptions to the limitation on the number of purchasers; and (iv) in subsection (L), the
18 deletion of the maximum dollar amount to reflect the deletion of the dollar amount requirement
19 from A.R.S. § 44-1846.

20 5. A.A.C. R14-4-133 defines "partners" and "executive officers" as those terms are
21 used for the definition of salesman contained in A.R.S. § 44-1801. The cross reference to
22 subsection 19 of A.R.S. § 44-1801 is deleted because the subsection number is not static.

23 6. A.A.C. R14-4-134 provides guidelines for an application for registration of
24 securities filed under A.R.S. § 44-1902. In addition to grammatical and format changes, three
25 revisions are proposed: (i) in subsection (A), an amendment of the maximum allowed offering
26 amount to reflect statutory changes to A.R.S. § 44-1902; (ii) in subsection (C), a deletion of the
requirement that an issuer be a corporation, to reflect changes to A.R.S. § 44-1902; and (iii) in

1 subsection (I)(2), a revision to the referenced subsection of R14-4-105 to reflect an amendment to
2 R14-4-105.

3 7. A.A.C. R14-4-141 provides an exemption from registration of securities for offers,
4 but not sales, of securities for the sole purpose of soliciting an indication of interest. In subsection
5 (B)(3), a cross reference to the statutory fee requirement is added.

6 8. A.A.C. R14-4-144 provides an issuer engaging in a transaction of a type specified in
7 A.R.S. § 44-1845(B)(1) with a procedure to obtain a special registration, consisting of the
8 imposition of suitability standards in lieu of standards prescribed by specific statutes. Language is
9 added to subsection (A) to clarify the process through which to obtain such special registration.

10 9. The Division has recommended that a notice of the proposed rulemaking regarding the
11 amendments and repeal be forwarded to the secretary of state. The Division also has recommended
12 that the Hearing Division schedule a hearing no sooner than May 10, 1999.

13 CONCLUSION OF LAW

14 The Commission has the authority for the proposed rulemaking under the Arizona
15 Constitution Article XV §§ 4, 6, and 13, and under A.R.S. §§ 44-1821, 44-1845, 44-1846, and 44-
16 1902.

17 ORDER

18 THEREFORE IT IS ORDERED that a hearing be set by the Hearing Division on this
19 matter at the Commission Offices in Phoenix, Arizona, no earlier than May 10, 1999.

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IT IS FURTHER ORDERED that the Division prepare a notice of the proposed rulemaking and forward it to the office of the secretary of state for publication in the Arizona Administrative Register.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION

		
COMMISSIONER-CHAIRMAN	COMMISSIONER	COMMISSIONER

IN WITNESS WHEREOF, I, STUART R. BRACKNEY, ACTING EXECUTIVE SECRETARY OF THE ARIZONA CORPORATION COMMISSION, HAVE HEREUNTO SET MY HAND AND CAUSED THE OFFICIAL SEAL OF THE COMMISSION TO BE AFFIXED AT THE CAPITOL, IN THE CITY OF PHOENIX, THIS 15 DAY OF MARCH, 1999.


STUART R. BRACKNEY
Acting Executive Secretary

DISSENT

(ctf)